



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 27, 2005

H.R. 3665 **Veterans Housing and Employment Improvement Act of 2005**

*As ordered reported by the House Committee on Veterans' Affairs
on October 20, 2005*

SUMMARY

H.R. 3665 would affect several veterans programs, including readjustment benefits, housing, and employment programs. CBO estimates that implementing this bill would cost \$1 million in 2006 and about \$140 million over the 2006-2010 period, subject to appropriation of the necessary amounts. In addition, CBO estimates that enacting H.R. 3665 would increase direct spending for veterans programs by less than \$500,000 in 2006, by \$2 million over the 2006-2010 period, and by less than \$500,000 over the 2006-2015 period.

H.R. 3665 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3665 is shown in Table 1. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 500 (education, training, employment, and social services).

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted by the end of calendar year 2005 and that the necessary amounts will be appropriated for each year.

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 3665

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	3	50	50	51	1
Estimated Outlays	1	6	34	50	48
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	*	1	1	*	*
Estimated Outlays	*	1	1	*	*

NOTE: * = between -\$500,000 and \$500,000.

CBO estimates that implementing H.R. 3665 would cost about \$140 million over the 2006-2010 period, assuming appropriation of the necessary amounts. In addition, the bill contains provisions that would both increase and decrease direct spending. We estimate that these provisions combined would increase direct spending by less than \$500,000 in 2006, by \$2 million over the 2006-2010 period, and (because of small annual savings in the later years) by less than \$500,000 over the 2006-2015 period.

Spending Subject to Appropriation

H.R. 3665 contains provisions that would increase discretionary spending for veterans readjustment, housing, and employment programs (see Table 2).

Homeless Veterans Reintegration Program. Section 301 would extend the Homeless Veterans Reintegration Program through fiscal year 2009 and would authorize the appropriation of \$50 million a year (the same level authorized in previous years) over the 2007-2009 period for the program. (Approximately \$21 million was appropriated in 2005 for this program.) The program provides grants to organizations that offer job counseling and training to homeless veterans. Under current law, the authorization for this program will expire at the end of fiscal year 2006. CBO estimates that implementing this provision would cost \$4 million in 2007 and \$134 million over the 2007-2010 period, assuming appropriation of the authorized amounts.

TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 3665

Provision	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
Homeless Veterans Reintegration Program (section 301)					
Authorization Level	0	50	50	50	0
Estimated Outlays	0	4	34	49	47
Extension of Committee (section 201)					
Authorization Level	3	0	0	0	0
Estimated Outlays	1	2	0	0	0
Native American Veteran Housing Loan Pilot Program (section 102)					
Estimated Authorization Level	0	0	0	1	1
Estimated Outlays	0	0	0	1	1
Total Proposed Changes					
Estimated Authorization Level	3	50	50	51	1
Estimated Outlays	1	6	34	50	48

Extension of Committee. Section 201 would extend the President’s National Hire Veterans Committee, including its reporting requirements, through 2006 and authorize the appropriation of \$3 million in 2006—the same level authorized in prior years—for committee operations. Under current law, that committee would cease to operate after December 31, 2005. CBO estimates that implementing the provision would cost \$1 million in 2006 and \$3 million over the 2006-2007 period, assuming appropriation of the authorized amount.

Native American Veteran Housing Loan Pilot Program. Section 102 of the bill would permanently extend the Native American Veteran Housing Loan Pilot Program. Under the program, which is scheduled to expire at the end of calendar year 2008, the Department of Veterans Affairs (VA) makes direct loans to veterans living on trust lands for the purchase, construction, or improvement of a home. VA's administrative expenses for the program, a discretionary cost, would continue after 2008 under the bill. We estimate that those costs would average \$650,000 a year over the 2009-2015 period, assuming the availability of appropriated funds. (In 2005, about \$600,000 was provided for this program.) This section also would have direct spending effects, which are discussed below.

Direct Spending

H.R. 3665 contains provisions that would increase direct spending for veterans' readjustment benefits and reduce direct spending for veterans' housing programs (see Table 3). In total, CBO estimates enacting this legislation would increase direct spending for these programs by less than \$500,000 in 2006, \$2 million over the 2006-2010 period, and by less than \$500,000 over the 2006-2015 period.

TABLE 3. ESTIMATED CHANGES IN DIRECT SPENDING UNDER H.R. 3665

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Specially Adapted Housing Grants (section 101)										
Estimated Budget Authority	*	1	1	1	*	0	0	0	0	0
Estimated Outlays	*	1	1	1	*	0	0	0	0	0
Native American Veterans Housing Loan Pilot Programs (sections 102 and 103)										
Estimated Budget Authority	0	0	0	*	*	*	*	*	*	*
Estimated Outlays	0	0	0	*	*	*	*	*	*	*
Total Proposed Changes										
Estimated Budget Authority	*	1	1	*	*	*	*	*	*	*
Estimated Outlays	*	1	1	*	*	*	*	*	*	*

NOTE: * = between -\$500,000 and \$500,000.

Specially Adapted Housing (SAH) Grants. The Department of Veterans Affairs currently provides two grants to assist certain severely disabled veterans to acquire housing that is adapted to their disabilities or to modify their existing housing. Under current law, veterans who are classified by VA as totally disabled and who have certain mobility limitations are entitled to receive housing grants of up to \$50,000. Totally disabled veterans who are blind or have lost the use of their hands are entitled to receive grants of up to \$10,000. Each grant may be used to adapt only one house, and, in the case of the larger grant, the veteran must at least be a partial owner of the house. Section 101 would allow recipients to use up to \$10,000 from the larger grant or \$2,000 from the smaller grant to adapt the home of a family member when the veteran resides with that family member temporarily. CBO estimates that

enacting this provision would increase direct spending for veterans readjustment benefits by less than \$500,000 in 2006, \$3 million over the 2006-2010 period, and \$3 million over the 2006-2015 period.

Because current law allows a qualified veteran to use the \$10,000 grant to adapt a residence that is not owned by the grant recipient, CBO does not expect the proposed change to have a significant impact on how those loans would be used.

However, CBO estimates that the proposed change would affect both participation and usage patterns for the larger grant. Under the provision, CBO anticipates that some veterans who would not otherwise use that grant would choose to modify a relative's home. Such veterans may be currently living with a relative but are not a partial owner of the relative's home or they may reside in an assisted care facility. Based on information from the Department of Defense and VA, CBO expects that enacting this provision would cause about 100 veterans who are currently entitled to the \$50,000 grant to spend about \$10,000 each over the next several years to modify a relative's home. Similarly, CBO estimates that each year about 15 veterans who would become newly eligible for this grant but not use it for the reasons stated above would spend about \$10,000 to modify a relative's home.

Some veterans who become eligible for the larger grant postpone using that grant for several years until they can live independently or complete vocational rehabilitation. CBO estimates that, of these eligible veterans, about 20 veterans each year would use \$10,000 of the \$50,000 grant to modify a relative's home and reside there temporarily. Since CBO expects that under current law these veterans will use the full \$50,000 grant to modify their own homes, enacting this provision would likely speed up usage of a portion of the \$50,000 grant. Thus, CBO estimates that outlays for adaptive housing grants for this group of veterans would increase by about \$200,000 a year over the 2006-2009 period, and after that period the spending to modify the homes of relatives would be offset by reduced spending for the adaptation of the veterans' homes.

Native American Veteran Housing Loan Pilot Program. Section 102 of the bill would permanently extend the Native American Veteran Housing Loan Pilot Program and increase the maximum loan amount by indexing this amount to the Freddie Mac conforming loan limit for single-family homes, which is adjusted annually to reflect home prices. Section 103 would expand eligibility for the program to include certain non-Native American veterans who are spouses of Native Americans and have joint ownership of property on trust lands.

In 1993, Public Law 102-389 provided appropriations of \$4.5 million for the subsidy cost of these loans. Since the program's inception, VA has made almost 500 loans at an estimated subsidy cost of \$2.2 million. Although the program initially incurred subsidy costs, it

currently has a negative subsidy rate of 13.8 percent and an estimated annual loan level of about \$2.5 million. Based on information from VA, CBO estimates that the increase in the maximum loan amount and the expanded eligibility would not affect the program significantly, and would thus not have any significant effect on the current subsidy rate or loan levels. CBO estimates that enacting the bill would reduce direct spending by less than \$500,000 a year over the 2009-2015 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3665 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On May 5, 2005, CBO transmitted a cost estimate for H.R. 1773, the Native American Veteran Home Loan Act, as introduced on April 21, 2005. Sections 102 and 103 of H.R. 3665 are similar to H.R. 1773 and would have identical estimated costs and savings.

On August 4, 2005, CBO transmitted a cost estimate for S. 1235, the Veterans Benefits Improvement Act of 2005, as ordered reported by the Senate Committee on Veterans' Affairs on July 28, 2005. Section 102 of H.R. 3665 is similar to section 203 of S. 1235, and would have identical estimated costs and savings.

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